

# PERS Plan 2 and Plan 3 Disability Benefits

The benefits described in this section apply to members of the Public Employees' Retirement System (PERS) Plan 2 and PERS Plan 3. You are a member of PERS Plan 2 if you were first hired into an "eligible" position by a "covered" employer on or after October 1, 1977, and you have not transferred, chosen or been defaulted to PERS Plan 3.

Note: For definitions of "eligible" position and "covered" employer, please refer to the *PERS Plan 2 Member Handbook* or the *PERS Plan 3 Member Handbook*.

## Eligibility

You may be eligible for disability retirement benefits if you:

- Become totally incapacitated for continued employment by an employer covered by PERS, and
- Leave that employment as a result of the disability.

No minimum amount of service credit is required for you to be eligible for a PERS Plan 2 or PERS Plan 3 disability retirement benefit.

## Benefits

If you qualify, you will receive a disability benefit that is based upon your calculated monthly benefit. The calculated monthly benefit is based on your average final compensation and years of service credit at the time you separate from service.

**The Plan 2 monthly benefit is calculated using the following formula:**

$2\% \times \text{service credit years} \times \text{average final compensation}$

**The Plan 3 monthly benefit is calculated using the following formula:**

$1\% \times \text{service credit years} \times \text{average final compensation}$

Average final compensation for both Plan 2 and Plan 3 is the average of your 60 consecutive highest-paid service credit months.

Your benefit will be actuarially reduced to reflect the difference between your age at retirement and age 65, and to reflect the choice of a survivor option, described under "Survivor Options" on page 2.

If you retire at age 55 and have at least 30 years of service credit, your benefit reduction is set at three percent for each year that you are under age 65. In this case, your benefit would be reduced by 30 percent.

If you are receiving a monthly disability retirement benefit, you may be subject to comprehensive medical examinations as required by PERS.

Note: For PERS Plan 3 members, the defined contribution portion of PERS Plan 3 is not a factor in determining your disability benefit.

## **Lump sum payment instead of monthly benefit**

If your Plan 2 or Plan 3 monthly benefit will be less than the minimum payment (the minimum monthly payment amount is indexed and changes each year. For the current minimum monthly payment amount, please contact DRS) you may choose between the monthly payment or payment in a lump sum.

DRS will provide this option at the time you receive an estimate or retire. If you choose a monthly benefit you will no longer be eligible for withdrawal of your contributions. DRS will advise you at the time of your estimate if you are eligible for a lump sum benefit.

If you receive a lump sum disability payment, you will be considered retired and ineligible for any further benefits from PERS. If your medical coverage is provided by the state Health Care Authority (HCA), you should contact the HCA for information concerning continuation of coverage, and a life insurance waiver.

## **Applying for Disability Retirement**

You may apply for disability retirement and receive a determination of eligibility prior to separating from employment. For more information about applying for disability retirement see “How to Apply for Disability Benefits” on page 4.

## **Returning to Work**

If a medical examination shows that you have recovered from your disability, and you are offered employment by a PERS-covered employer at comparable pay, you will no longer be eligible to receive a disability retirement benefit.

## **Service Credit for Temporary Disability Leave**

You have the option to apply for up to 24 months of service credit while on leave for a disability. To qualify:

- Your disability must have occurred in the line of duty; and
- You must have received your injury on or after March 27, 1984, and be eligible to receive Workers’ Compensation benefits; and
- You must make retirement contributions on the compensation you would have earned had you been working. DRS charges interest if the payments are made retroactively.

For more information on how to apply for disability service credit, write to DRS. See DRS contact information on page 5.

## **Survivor Options**

When you apply for a disability retirement, you must select a benefit option. You may choose an option which will continue paying benefits to a survivor.

If you are married, the law requires that you provide your spouse’s consent to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as the beneficiary. The *Spousal Consent Authorization* is contained in the Disability Retirement Application.

If at retirement you chose one of the survivor options listed below (Options 2, 3, or 4), and your designated beneficiary dies before you, be sure to contact DRS. Your retirement benefit payment will be adjusted to the higher Option 1 payment level.

### **Option 1: Standard Option**

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary. No payment will be made if your benefits have equaled or exceeded your contributions plus interest at the time of retirement.

### **Option 2: Joint and 100 Percent Survivorship**

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

### **Option 3: Joint and 50 Percent Survivorship**

This option also provides an actuarially reduced benefit, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

### **Option 4: Joint and 66.67 Percent Survivorship**

Option 4 also provides a benefit that is actuarially reduced. The reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

## **Designating a Beneficiary**

Be sure to keep the beneficiary designation in your PERS record up-to-date. Your beneficiary designations are canceled by divorce unless the divorce decree provides otherwise. Once you retire you may change your benefit option and beneficiary only by returning to active membership, except in the following circumstances:

- If you choose one of the survivor options (Option 2, 3 or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 payment level. If your beneficiary dies before you, be sure to notify DRS to initiate this change.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option change can be used only once and is irrevocable.
- If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change between your first and second year of marriage. If you change to a survivor option, your benefit will be actuarially reduced. This option can be used only once and is irrevocable.

If you choose the Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary.

If you choose a survivor benefit option (Option 2, 3, or 4) at retirement, you must select a person as your beneficiary. If you and your survivor both die before the total benefits received equal your contributions plus interest at the time of your retirement, the balance will be paid in a lump sum to the beneficiary on file with DRS.

To change your beneficiary, you must notify DRS. Forms for this purpose are available from DRS and your payroll department, and they can be printed from this site.

# How to Apply for Disability Benefits

If you choose, you may file for disability retirement and receive a determination of eligibility from DRS prior to separation from employment. Your beneficiary cannot apply for your disability retirement benefit after your death.

## Application Procedure

You must take the following steps to apply for disability benefits:

1. Request an application by writing a letter to DRS. In your letter, include the following:
  - Name
  - Address
  - Daytime phone number
  - Social Security number
  - Retirement system and plan
  - Spouse's birth date (if married)
  - The date you became disabled
  - Whether or not the disability was incurred on the job
2. Once you have received your packet, make sure all three parts of the PERS application are completed and returned to DRS:
  - **Part 1, the Disability Retirement Application**, which you must complete, sign and have notarized;
  - **Part 2, the Employer Statement and Report**, with Section 1 completed by you and Sections 2, 3 and 4 completed and signed by your employer;
  - **Part 3, the Medical Report** with Sections 1 completed by you and Sections 2, 3 and 4 completed and signed by your physician.

You have applied for disability retirement once Part 1 of the disability application is date-stamped by DRS. In the case of death, the postmark date can be used, as long as it is the date of death or earlier. Receipt of Part 2 or Part 3 does not constitute filing of an application for disability retirement.

DRS will not grant or deny disability retirement until all three parts of the application have been received.

Following receipt of all three parts of your application, PERS will determine whether you are eligible to receive benefits. In most cases, the determination process takes no more than two weeks. The process may take longer if PERS requires additional information from you or other agencies concerning your application. You will be informed if more information is needed from you.

3. You will not receive a benefit until you have separated from employment. Your application may be processed if you are no longer working or are using authorized sick leave or annual leave. If you are working full-time or part-time and have not separated within 90 days of the application approval date, DRS will rescind its approval. If you subsequently become totally incapacitated for further performance of duties, you may reapply and submit current medical evidence for consideration.

## Appealing a Decision

If PERS denies your application for benefits, you may petition for a review within 120 days of receiving the denial. If your petition is denied, you will be informed of appeal procedures. You will have 60 days to appeal the decision.

## Errors

If you receive an overpayment of your disability benefit or refund, DRS will require that the overpayment be repaid. If you receive an underpayment, DRS will correct the error and pay you in full.

## Taxation and Assignment of Benefits

### Federal Income Taxes

Disability benefits are taxed as ordinary income until minimum retirement age. You may be able to receive tax credits for the elderly or disabled as explained in the Internal Revenue Service (IRS) Publication 524. You must complete a W-4P form to tell PERS how much of your benefit you want withheld for taxes. If you do not, PERS will follow IRS rules requiring withholding as if you were married and claiming three exemptions. You are responsible for declaring the proper amount of taxable income on your income tax return.

### Assignment and Attachment of Benefits

Your retirement benefits may be subject to assignment or attachment to satisfy court and administrative orders for spousal maintenance and child support, or orders authorized by federal law.

PERS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, PERS will send the property division payment directly to the ex-spouse. For more information, refer to the publication, *Can Legal a Legal Order Affect My Retirement Account?*

## Contacting DRS

For more information, refer to your *PERS Plan 2 or PERS Plan 3 Member Handbook*, visit the DRS Web site, or contact DRS directly. DRS office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays. Before visiting, please call to schedule an appointment.

<b>Toll-free:</b>	1-800-547-6657
<b>Olympia area:</b>	(360) 664-7000
	TDD: 1-866-377-8895; or (360) 586-5450
<b>E-mail:</b>	<a href="mailto:recep@drs.wa.gov">recep@drs.wa.gov</a>
<b>Address:</b>	P.O. Box 48380 Olympia WA 98504-8380
<b>Web site:</b>	<a href="http://www.drs.wa.gov">www.drs.wa.gov</a>